Prince Edward Island
CANADA

Liquor Control Commission

2000 Annual Report

Charlottetown,
Prince Edward Island

Prince Edward Island Liquor Control Commission

52nd Annual Report

For the Year ended March 31, 2000

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Mission Statement

A customer-driven organization that regulates the sale of alcohol, provides unsurpassed service, and maximizes tax revenue while adhering to Government policy.

Corporate Philosophy

The Liquor Control Commission is committed to be pro-active, innovative, entrepreneurial, results oriented and socially responsive. The commission will be accessible to customers, suppliers, staff and other interested groups.

The commission will administer the *PEI Liquor Control Act* in a fair, reasonable and socially responsive manner.

Message of the Minister

The Honourable Gilbert Clements
Lieutenant Governor of Prince Edward Island
PO Box 2000
Charlottetown, PE C1A 7N8

May It Please Your Honour:

Pursuant to the *PEI Liquor Control Act* and as Minister designate, it is my privilege to submit the 52nd Annual Report of the Prince Edward Island Liquor Control Commission.

Respectfully submitted,

Greg Deighan
Minister of Tourism
Minister Responsible for the Liquor Control Commission

Message of the Chairman

The Honourable Greg Deighan
Minister of Tourism and
Minister Responsible for the Liquor Control Commission
Province of Prince Edward Island
Charlottetown, PE C1A 7 N8

Sir:

In compliance with Section 87(3) of the *PEI Liquor Control Act*, I have the honour to submit the 52nd Annual Report of the Prince Edward Island Liquor Control Commission covering the fiscal year April 1, 1999, to March 31, 2000.

Respectfully submitted,

W.J.R. (Mac) Macdonald
Chairman

Management's Report

W.J.R. Macdonald
Chairman
PEI Liquor Control Commission
PO Box 967
Charlottetown, PE C1A 7M4

Dear Mr. Macdonald:

The preparation of financial information is an integral part of management's responsibilities, and the accompanying financial statements are the responsibility of the management of the commission. This responsibility includes the selection of appropriate accounting policies and making judgements and estimates consistent with generally accepted accounting principles.

The commission maintains an accounting system and related controls to provide management and the commission with reasonable assurance that transactions are executed and recorded as authorized, that assets are properly safeguarded and accounted for, and that financial records are reliable for the preparation of financial statements in accordance with generally accepted accounting principles.

Financial information presented elsewhere in this annual report is consistent with that in the financial statements.

Wayne A. MacDougall
Chief Executive Officer

Gordon D. Greene
Director of Finance

Board of Commissioners

W.J.R. "Mac" Macdonald
Chair

Dana Coulson
Vice-Chair

Doug MacEwen
Commission Member

Diane Douse
Commission Member

Gerald LeClair
Commission Member

Executive Management

Chief Executive Officer ..... Wayne MacDougall

Director of Finance ..... Gordon Greene

Director of Distribution and Purchasing ..... James Johnston

Director of Marketing and Sales ..... Fred MacDonald

Director of Licensing and Security ..... Ken Hicks

Organizational Chart

Alberton	North Rustico	Summerside
Borden-Carleton	Oak Tree	Tignish
Cardigan	O'Leary	Tyne Valley
Charlottetown Mall	Queen Street	Wellington
Cornwall	Sherbrooke	
Kensington	Souris	Morell Agency Store
Montague	Stratford	

Executive Summary

The Prince Edward Island Liquor Control Commission (PEILCC) is a crown corporation responsible for the administration of the *PEI Liquor Control Act* and Regulations, along with the purchase, control, and sale of all beveraged alcohol in the province.

A five-member board of commissioners is responsible for the commission's activities. The chairperson reports to the Minister of Tourism who is also Minister Responsible for the *PEI Liquor Control Act*.

The mandate under the *PEI Liquor Control Act* has two primary components – regulatory and commercial.

The regulatory function is carried out by the commission's Licensing and Security Department which is responsible for inspecting and licensing all licensed premises and special permit functions.

It also investigates and reports on all licensee complaints and determines whether there were infractions of the *PEI Liquor Control Act*.

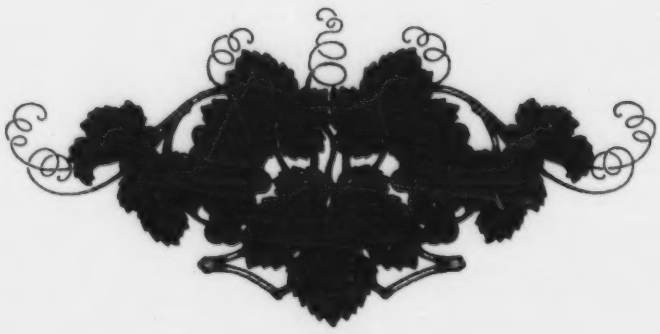
On the commercial side, the commission is a major force in the provincial economy with sales in excess of $57 million making it one of the largest retail organizations in Prince Edward Island.

In terms of monetary transfers to the Provincial Treasury, this year was the greatest transfer ever with more than $24 million forwarded to the province.

The commission presently operates 18 retail outlets of which 16 are self-serve in design and two are conventional or counter-type. In addition, the commission operates a central warehouse and Licensee Distribution Centre located in Charlottetown and the commission has contracted with private interests for the operation of an Agency Store in Morell, PEI.

In support of many local and national charitable fund-raising drives, the commission provides a program offering one organization/month/store an opportunity to feature their donation canisters at our cash registers. This method of fund-raising is increasing in popularity and some of the initiatives supported by the PEILCC are:

- IWK
- Canadian Diabetes Association
- Epilepsy Canada
- Unicef
- MADD
- Autism Society of PEI
- PEI Humane Society
- Island Hospice Association
- National Camps for the Blind
- Save the Children Fund
- Child Find
- Parkinson's
- CNIB
- Children's Wish Foundation
- Lupus PEI
- Huntington Society
- Unitarian Service Committee



Sommaire

La Régie des alcools de l'Î.-P.-É. (R.A.Î.P.É.) est une société de la Couronne responsable de l'administration de la *Liquor Control Act* [loi sur les alcools] et de ses règlements, ainsi que des achats, de la réglementation et des ventes de toutes les boissons alcoolisées dans la province.

Un conseil de direction composé de cinq membres est responsable des activités de la Régie. Le président fait rapport au ministre responsable de la *Liquor Control Act*, lequel est également responsable auprès de l'Assemblée législative.

Le mandat confié en vertu de la *Liquor Control Act* est constitué de deux composantes principales : l'une est réglementaire et l'autre commerciale.

La fonction réglementaire est assumée par le Service de délivrance des permis de la Régie qui est responsable de l'inspection et de la délivrance des permis dans tous les débits de boissons et des permis délivrés pour des réceptions particulières. Ce Service fait également enquête et rapport de toutes les plaintes concernant les permis, et décide s'il y a infraction ou non à la *Liquor Control Act*.

En ce qui concerne l'aspect commercial, la Régie représente une force impressionnante dans l'économie provinciale avec des ventes dépassant les 57 millions de dollars, ce qui en fait l'une des plus grandes entreprises de détail de l'Île-du-Prince-Édouard.

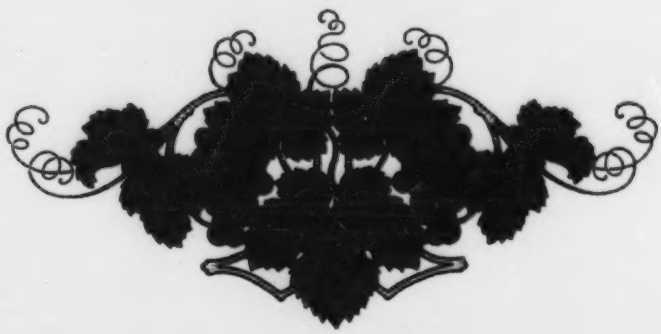
En termes de transferts monétaires au Trésor provincial, les 24 millions de dollars de cette année représentent la plus forte somme jamais envoyée au Trésor.

À l'heure actuelle, la Régie exploite dix-huit (18) points de vente au détail dont seize (16) sont conçus pour le libre-service et deux (2) sont du type comptoir ou conventionnel. De plus, la Régie gère un dépôt de vente central et un Centre de distribution aux titulaires situé à Charlottetown. La Régie a conclu une entente avec le secteur privé pour l'exploitation d'un magasin d'agence, à Morell, à l'Î.-P.-É.

Au soutien de plusieurs campagnes de financement de bienfaisance locales et nationales, la Régie dispose d'un programme

offrant à une organisation, chaque mois, et dans chaque magasin, l'occasion d'exposer ses contenants servant aux donations à nos caisses enregistreuses. Cette méthode de financement gagne en popularité et certaines des initiatives appuyées par la R.A.Î.P.É. sont les suivantes :

I.W.K.
Association canadienne du diabète
Épilepsie Canada
UNICEF
MADD
Autism Society PEI
Prince Edward Island Humane Society
Island Hospice Association
National Camps for the Blind
Save the Children Fund
Enfants-Retour Canada
La Fondation canadienne du Parkinson
INCA
La Fondation Canadienne Rêve d'enfants
Lupus P.E.I.
Société Huntingdon Canada
Comité du service unitaire du Canada



Store Operations and Merchandising

Historically, the PEI Liquor Control Commission has operated as a bureaucratic distribution-oriented crown corporation. However, in the mid 1990s the commission turned its attention toward operating as a customer-focussed retailer.

The commission, over the past two years, has reshaped and repositioned itself with new stores in Borden, Cornwall, Stratford, Kensington, North Rustico and Oak Tree. The latter four stores have been equipped with cold beer facilities to better serve the customer. The commission plans to further refashion a number of existing stores during the 2000-2001 fiscal year – mainly, a downtown Charlottetown Store, Cardigan and a Summerside store.

With the newly renovated stores, expanded product selection, increased hours of operation, enhanced training of our employees to provide a higher level of customer service, and more in-store promotions, our customers have been provided with a more enjoyable and informative shopping environment.

In efforts to further enhance the shopping experience, the commission has recently expanded its product base to include a wide range of branded clothing and giftware merchandise. In its first year, as a pilot project, the Branded Merchandise and Giftware Program created a great deal of interest at store level making a visit to one of our outlets a pleasant and inviting shopping experience.

A boutique has been set up in our newly renovated Oak Tree store along with a Bottle Your Own Wine facility, a cold beer section and an increase in product selection, all focused on making a visit to our new flagship a pleasurable one.

Along with Oak Tree, boutiques specializing in merchandise and giftware are also in place at our Kensington and North Rustico outlets – all with positive feedback.

In addition to our boutique style format, merchandise and giftware are available at all other commission stores.

With projected sales of $150,000 for the coming year, the commission's Branded Merchandise and Giftware Program will prove to be a valuable and beneficial asset in our attempt to offer the consumer "total customer satisfaction."

The Fifth Annual Winefest was a great success – with increases in sales by 9.74 percent and in attendance by a similar figure. The commission also introduced its first Silent Wine Auction in conjunction with the Festival and it raised $3,000 for the Island Hospice Association.

The commission has partnered with various suppliers to provide further customer service courses in addition to their Product Knowledge courses which now are a requirement for employment. Store staff have also participated in brewery tours which further increased their knowledge of this important sector of our business. Staff training is a very important part of the commission's Mission Statement.

The commission has a staff complement of 131 classified full- and part-time positions and 70 full- and part-time casuals to meet seasonal demands.

Financial

For the fiscal year ended March 31, 2000, gross sales were $57,910,149. This is an increase of $3,227,544 over the previous year.

Net profit for the year plus health and sales taxes, totalled $24,620,626. This is an increase over the 1998-99 contribution to the province by $1,523,242 and represents our best year ever in terms of monetary transfers to the Provincial Treasury.

The commission's business is international in scope with approximately $23 million spent on the purchase of beveraged alcohol.

Sales increased in both wholesale and retail channels across the province over the previous year. Volume sales increased at the same rate as dollar sales which means the commission did not increase revenues by raising prices. This significant increase was accomplished by growing the business while limiting expenses throughout the organization. This time-honoured strategy of increasing sales while controlling expenses, enabled the commission to deliver another record dividend to the Province of Prince Edward Island.

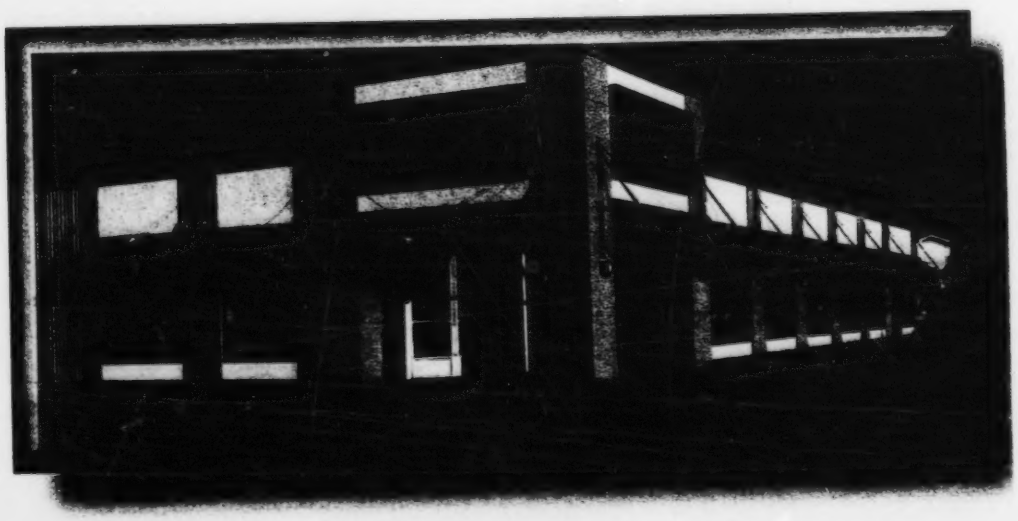
During the year, the commission upgraded the software systems and were successful in obtaining Year 2000 compliance. Our services remained uninterrupted during the roll-over from 1999 to 2000.

Although the commission has refocused and refashioned its position in the marketplace, it is well aware of its vital leadership role in ensuring responsible use. This goes beyond refusing to serve persons of questionable legal drinking age or who appear to be intoxicated, into an area where the commission has become more pro-active in a wide range of issues. The commission partners with organizations, both within and outside its business boundaries, in bringing awareness of the problem of abuse of beveraged alcohol.

Numerous store promotions, Wine Festival literature, water safety, police associations and school events are some of the areas that assist the commission in fulfilling this side of its mandate.

The commission is proud that it has been able to complete project tasks on its long-range, Five-Year Business Plan on a consistent basis and add new ones while continuing to operate in a most efficient and professional manner.

Not content to rest on its accomplishments, the commission has numerous new goals for the next fiscal including a "new" face for a downtown Charlottetown Store, a major upgrade for Summerside and a major retrofit for Cardigan.



Regulatory Activities

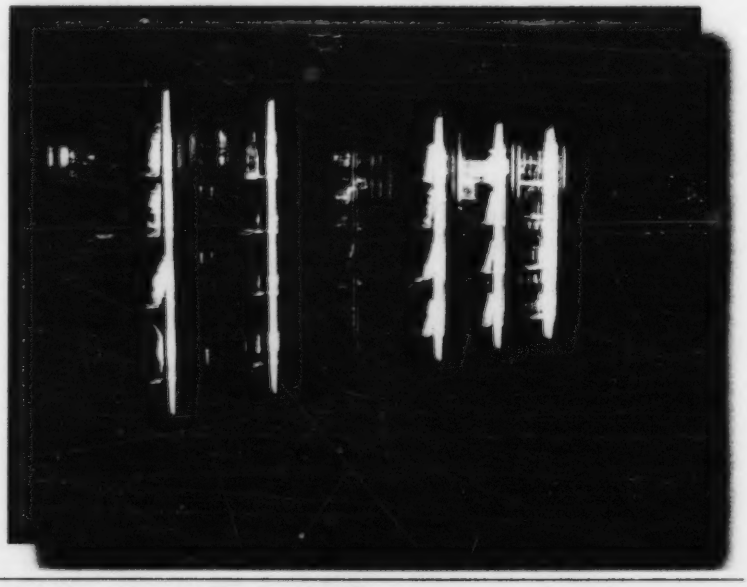
The Licensing and Security Department, during the 1999-2000 fiscal year, performed 4,796 inspections at licensed premises. During these inspections, they checked 763 people for proper identification; dealt with control, overserving and overcrowding; and other areas of responsibility.

The inspection staff performed three special investigations with outside agencies resulting in charges being laid against these individuals. The investigations involved underage patrons and overcrowding.

Cooperation among the police, fire marshal and inspection department has continued in the area of joint inspections with four being performed during the year.

This area of enforcement will continue as a preventative measure to ensure compliance with the respective acts and regulations.

Liquor store staff, as their part in ensuring proper and responsible service, have served approximately 2,200,613 customers and 11,614 licensees. They checked 24,507 customers for proper age and for intoxication, turning away 520. Store personnel will continue their efforts in these areas.



Acknowledgements

The achievements outlined in this document can only be accomplished with the loyalty and dedication of our employees. The valued support and guidance of the Board of Commissioners is equally important and gratefully acknowledged.

The commission acknowledges the valuable assistance of the RCMP, municipal police departments, fire marshal and other enforcement agencies throughout the province; as well as other provincial and federal government departments.

Sales by Retail Stores 1999/2000

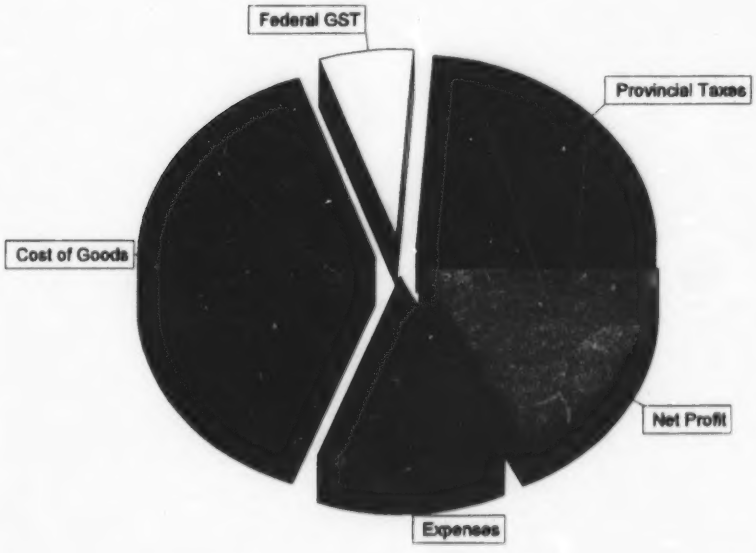
Retail Store	Year Ended March 31, 2000	Year Ended March 31, 1999	Increase (Decrease)
Alberton	$1,320,082	$1,284,213	$35,869
Borden/Carleton	1,239,828	1,160,274	79,554
Cardigan	1,454,743	1,339,040	115,703
Charlottetown Mall	7,023,255	6,145,022	878,233
Charlottetown - Queen St.	4,416,811	2,281,011	2,135,800
Cornwall	2,653,021	2,360,967	292,054
Kensington	2,530,124	2,068,979	461,145
Licensee Distribution Centre	5,310,269	5,951,736	(641,467)
Montague	3,498,547	3,334,023	164,524
North Rustico	2,507,481	2,359,769	147,712
O'Leary	1,327,118	1,272,276	54,842
Oak Tree Place	6,411,681	7,835,733	(1,424,052)
Sherbrooke	5,310,183	4,941,058	369,125
Souris	2,071,386	2,078,084	(6,698)
Summerside Waterfront	3,143,487	3,443,700	(300,213)
Stratford	4,030,899	3,321,843	709,056
Tignish	1,632,375	1,576,585	55,790
Tyne Valley	883,268	839,804	43,464
Wellington	1,003,965	970,359	33,606
Warehouse	141,626	118,129	23,497
Total	**$57,910,149**	**$54,682,605**	**$3,227,544**

Summary of Profit and Expense Ratios Five-year Comparison

(in 000s)

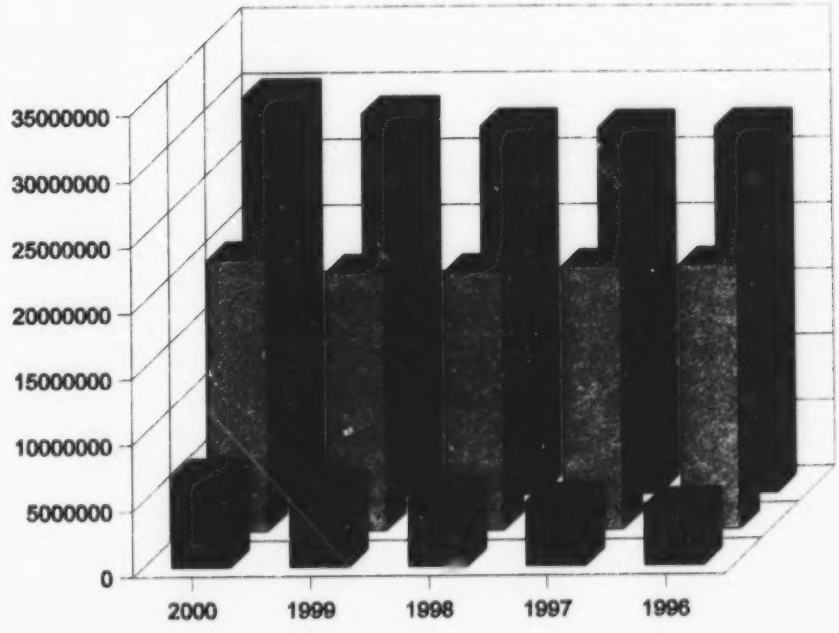
	1996	1997	1998	1999	2000
Sales	$52,497	52,742	53,093	54,683	57,910
Gross Profit	$15,421	$15,351	$15,692	$15,783	$16,849
Net Profit	$10,177	$9,543	$9,800	$9,658	$10,383
General and Administration Expenses	$5,858	$6,430	$6,837	$7,101	$7,542
Gross Profit as Percentage of Sales	29.4%	29.1%	29.6%	28.9%	29.1%
Net Profit as Percentage of Sales	19.4%	18.1%	18.5%	17.7%	17.9%
General and Administrative Expenses as Percentage of Sales	11.2%	12.2%	12.9%	13.0%	13.0%

Income Allocation
Year Ended March 31, 2000



	Sales		$57,910,149
	Provincial Taxes	14,237,973	
	Federal GST	3,652,706	
	Cost of Goods	23,170,222	
	Expenses	7,541,500	
	Net Profit		**$10,382,653**

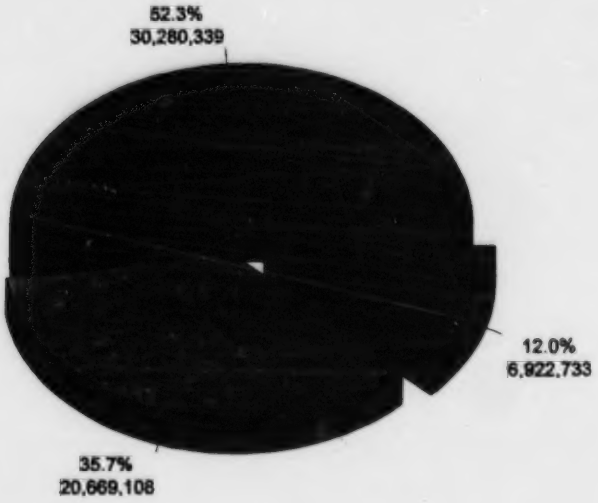
Sales Comparison 1996-2000



	Five-Year Trend	2000	1999	1998	1997	1996
	Beer	$30,280,339	$28,930,827	$27,929,485	$27,784,241	$27,846,483
	Spirit	$20,669,108	$19,616,717	$19,620,173	$20,000,638	$20,078,460
	Wine	$6,922,733	$6,109,278	$5,543,314	$4,956,669	$4,572,158

Merchandising sales figures for 2000 were $37,969 compared to merchandising sales figures for 1999 which were $25,783. These figures are not included in the above chart or table.

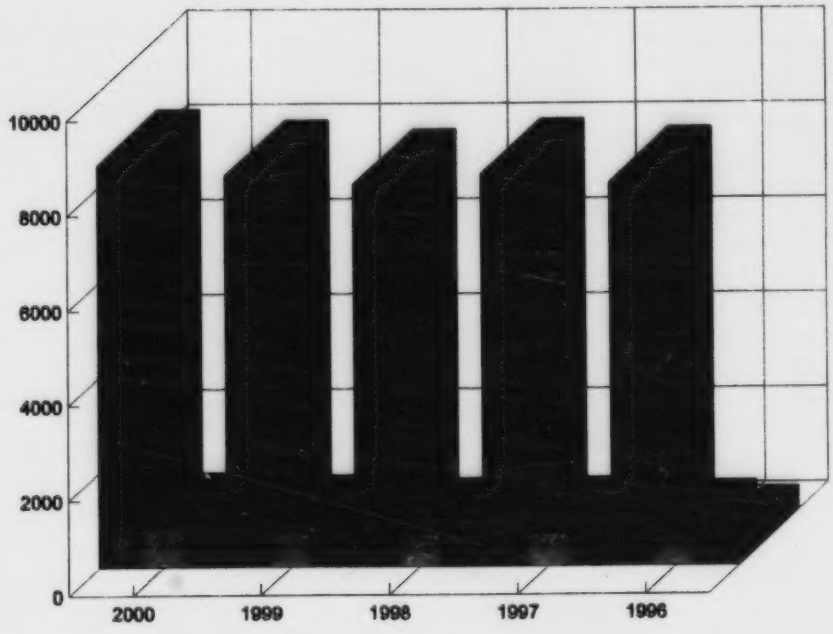
Sales – Year Ended March 31, 2000



Sales in Dollars		
	Beer	$30,280,339
	Spirits	20,669,108
	Wine	6,922,733
	Total	**$57,872,180**

Sales figures for 2000 also include $37,969 for merchandising which is not included in the above chart or table.

Volume Sales
Five Years Ended March 31, 2000



	Five-Year Trend	2000	1999	1998	1997	1996
	Beer	8,479	8,240	8,050	8,263	8,079
	Spirit	823	757	689	703	626
	Wine	692	642	615	586	495

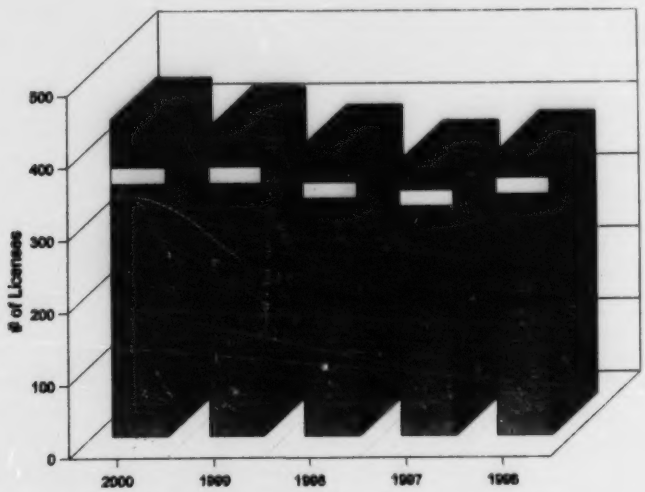
Figures are in kilolitres

Licenses in Effect
March 31, 1999 and March 31, 2000

License Type	2000	1999
Dining Room	194	192
Lounge	81	82
Club	73	75
Military Canteen	24	24
Special Premise	40	30
Caterer	19	15
Agency Store	1	1
Winery	1	1
Brew-Pub	1	1
Tourist Home	4	4
Total Licenses in Effect	**438**	**425**

During the 1999-2000 fiscal year,
the Licensing and Security Department issued 50 new licenses
and 37 licenses were either not renewed or were voluntarily surrendered.

Licenses in Effect
Five-year Comparison



	2000	1999	1998	1997	1996
Dining Room	194	192	179	168	173
Lounge	81	82	76	74	80
Club	73	75	73	75	80
Military Canteen	24	24	24	24	24
Special Premise	40	30	31	26	24
Caterer	19	15	12	8	7
Agency Store	1	1	1	1	1
Winery	1	1	1	1	1
Brew-Pub	1	1	1	0	0
Tourist Home	4	4	2	1	0
Totals	**438**	**425**	**400**	**378**	**390**

Premises Licensed 1999/2000

Caterers
- Pat & Willy's
- Brennan's Eatery
- Cousin's Diner
- Dock Restaurant
- Capt. Bully Forbes' Chowder Pot

Dining Rooms
- Mario's Pizzaria
- Brennan's Eatery
- Rye's Deli
- Country Steakhouse
- The Polly Restaurant
- Dakota's Dining Room
- Water St. Restaurant
- Wharfside Lobster Eatery

Lounges
- B.J.'s Lounge
- Brennan's Pub
- Rye's Pub
- Country Steakhouse Lounge
- Gallaghers Lounge
- The Polly Lounge
- Dakota's Lounge
- Water St. Pub
- Checker Lounge
- Wharfside Lobster Pub

Special Premises
- The Club (Summerside)
- Top of The Park and Paddock Club
- St. Felix Golf & Country Club
- Beaver Valley Golf Club
- Stanhope Golf & Country Club
- Brudenell Resort Golf Academy
- Labatt's Centre Ice Lounge
- Summerside Golf Club Lounge
- Sailor's Landing
- Misty Water 1
- Cruise Manada Tour Boat
- Carmody Comedy Barn

Restaurants
- Red Rooster Restaurant
- Victoria Village Inn
- Anne of Red Doors Coffee House
- Hearts Ease Dining
- Captain Stewart Seafood & Steak
- Papianno's
- Shanghai Restaurant
- Ducky's Restaurant
- Me & Mom's Café
- Red Rock Lobster Shop & Café
- Pizza Shack
- Mariners Galley
- Blue Mussel Café
- Capt. Bully Forbes' Chowder Pot
- Island Eatery

Total Licenses Issued = 50

Licenses Not Renewed/Surrendered 1999/2000

Caterers
- Darcy McGee's

Clubs
- Stanhope Golf & Country Club
- Summerside Golf Club

Dining Rooms
- Phoenix Grill
- Pier
- Island Rock Café
- Kings Harbour Restaurant
- Millstream Barn & Family Restaurant
- Nana's Family Restaurant
- S & T Bar and Grill
- Rye's Deli
- Julianna's Garden
- The Lamp-post Dining Room

Lounges
- Phoenix Bar
- Pier
- Island Rock Café
- Gunners Lounge
- Millstream Barn & Family Restaurant
- Nana's Lounge
- Silver Spurs Lounge
- Rye's Pub
- Mt. Pleasant Conv. & Café Lounge
- Julianna's Garden Lounge
- The Lamp-post Pub

Special Premises
- Sailor's Landing
- Kings Playhouse

Restaurants
- McCradys Green Acres
- Red Rooster Restaurant
- Ark Inn & Restaurant
- Mariners Galley
- Victoria Village Inn
- Montre-al's Eatery
- Jan's Place
- Julianna' Pizzaria Borden
- Windows On the Water
- AJ's Fish and Chips
- Mt. Pleasant Convenience & Cafe

Licenses Not Renewed/Surrendered = 37

Permits Issued 1999/2000

Permit	2000	1999
Class I (non-sale)	72	56
Class II (resale)	199	326
Total	271	382

Special Authorizations

During the 1999-2000 fiscal year, the licensing department authorized 129 requests for special functions in licensed premises under Sections 75, 30, 20.1 and 95 of the *PEI Liquor Control Act* Regulations. These functions covered a range of events including weddings, benefits, sporting events, receptions and community festivals.

Regulatory Changes

The *PEI Liquor Control Act* Regulations were amended to prevent the subdivision of licensed premises to obtain two licenses for the same area.

License Suspensions

During the 1999-2000 fiscal year, the PEI Liquor Control Commission suspended the following licenses for violations under the *PEI Liquor Control Act* and Regulations and Policy:

- Barney's Lounge
  Suspension – seven days
  (violation: control, public intoxication)

- Thirsty's Roadhouse
  Suspension – three days
  (violation: overcrowding)

- Lobster Trap Lounge
  Suspension – two days
  (violation: minors on premises)

- Rye's Pub
  Suspension – three days
  (violation: minors on premise)

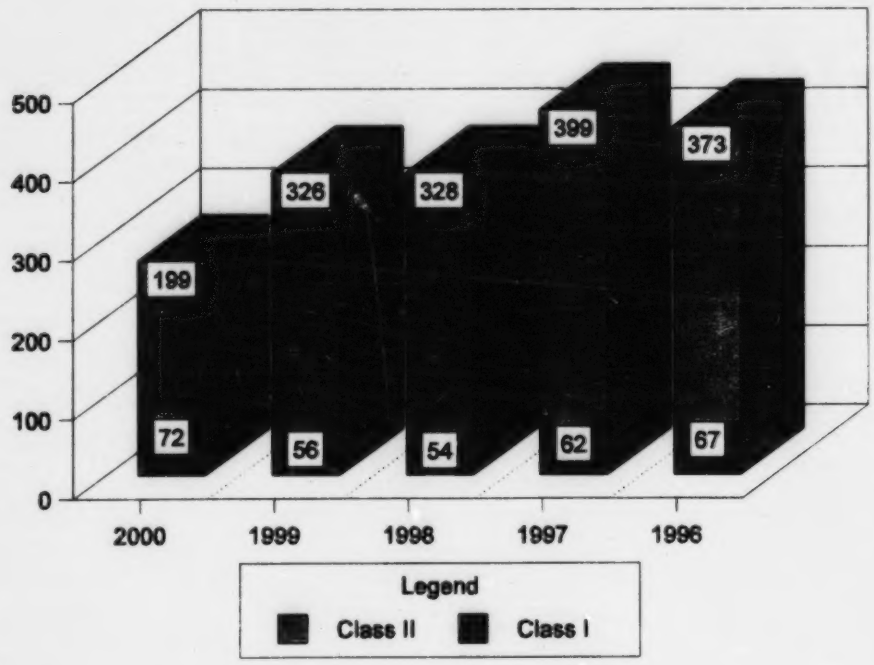
- Barney's
  Suspension – seven days
  (violation: minors on premises)

License Cancellations

- Rye's Pub
- Island Rock Café
- Phoenix Bar

These licenses cancelled due to invalid tax certificates.

Permits Issued
Five-year Comparison



		2000	1999	1998	1997	1996
	Class 1	72	56	54	62	67
	Class II	199	326	328	399	373

A Class I permit entitles host to give beverages to guests.

A Class II permit entitles host to sell beverages to guests.

There has been a marked decrease
in Class II permits over the last three years
owing in part to increased awareness of host liability.

Prince Edward Island Liquor Control Commission

Retail Outlets

Prince Edward Island Retail Liquor Outlets

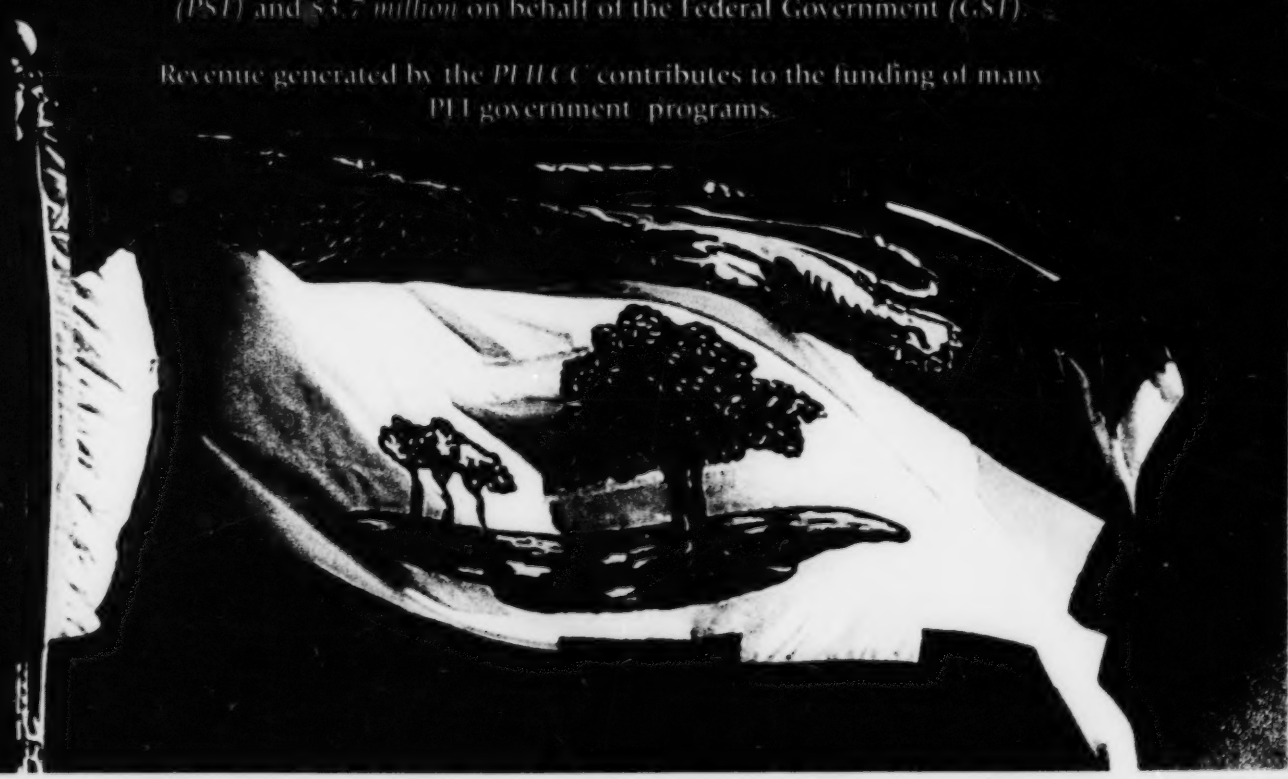
Location	Manager	Location	Manager
Alberton	Robert White	O'Leary	Robert White
Borden-Carleton	Donald Howatt	Queen Street	Urban MacDonald
Cardigan	Joseph MacDonald	Sherbrooke	Ronald Yeo
Charlottetown Mall	Stan Bryanton	Souris	Paul Deveau
Cornwall	William MacMillan	Summerside Waterfront	Barb Simpson
Kensington	Terry Lynn MacKenzie	Stratford	Charles Hansen
Montague	Richard Llewellyn	Tignish	Stephen Callaghan
Morell Agency	Jim Anderson	Tyne Valley	Clarence Richard
North Rustico	Terry Lynn MacKenzie	Wellington	Clarence Richard
Oak Tree	John Abbott		

Efficient Monetary Management

0.63% Warehouse & Distribution
3.55% Administration
10.58% Store Operations
39.89% Profit
45.35% Cost of Stock

In *1999-2000* fiscal year, over and above the *$20.4 million profit ($10.4 million in net profit and $10 million in Provincial Health Tax)*, the *PEIMC* collected *$1.2 million* on behalf of the Provincial Government *(PST)* and *$3.7 million* on behalf of the Federal Government *(GST)*.

Revenue generated by the *PEIMC* contributes to the funding of many PEI government programs.



Appendix

Auditor's Report and Audited Financial Statements

AUDITOR GENERAL

CHARLOTTETOWN

PRINCE EDWARD ISLAND

PRINCE EDWARD ISLAND

LIQUOR CONTROL COMMISSION

FINANCIAL STATEMENTS

MARCH 31, 2000

AUDITOR GENERAL

CHARLOTTETOWN

PRINCE EDWARD ISLAND

AUDITOR'S REPORT

To the Commissioners of the
Prince Edward Island Liquor Control Commission

I have audited the balance sheet of the Prince Edward Island Liquor Control Commission as at March 31, 2000 and the statements of income and cash flows for the year then ended. These financial statements are the responsibility of the Commission's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Commission as at March 31, 2000 and the results of its operations and its cash flows for the year then ended in accordance with generally accepted accounting principles.

J. Wayne Murphy, FCA
Auditor General

Charlottetown, Prince Edward Island
May 26, 2000

STATEMENT 1

PRINCE EDWARD ISLAND LIQUOR CONTROL COMMISSION

BALANCE SHEET

AS AT MARCH 31, 2000

ASSETS

	2000	1999
CURRENT ASSETS		
Cash	$1,175,717	$ -
Accounts receivable	196,197	101,014
Inventories - Note 1(b)	2,432,000	2,307,286
Prepaid expenses	48,685	54,650
	3,852,599	2,462,950
Capital Assets - Notes 1(a) and 2	3,043,673	1,576,459
	$6,896,272	$4,039,409

LIABILITIES

CURRENT LIABILITIES			
Bank Overdraft		$ -	$ 350,658
Accounts payable and accruals	- General	1,677,395	475,713
	- Province of PEI	50,864	43,616
Debentures payable - current portion - Note 3		337,110	174,348
Due to the Province with respect to net income - Note 1(c)		1,788,217	1,592,963
		3,853,586	2,637,298
LONG TERM LIABILITIES			
Due to the Province with respect to net capital assets - Notes 1(c) and 4		-	48,460
Debentures payable - Note 3		3,042,686	1,353,651
		3,042,686	1,402,111
		$6,896,272	$4,039,409

(The accompanying notes are an integral part of these financial statements.)

SIGNED ON BEHALF OF THE COMMISSION:

COMMISSIONER: J. Macdonald.

COMMISSIONER: Dana J. Gunson

STATEMENT 2

PRINCE EDWARD ISLAND LIQUOR CONTROL COMMISSION

STATEMENT OF INCOME

FOR THE YEAR ENDED MARCH 31, 2000

		2000		1999
SALES		$57,910,149		$54,682,605
Less: Provincial Health Tax	$9,997,673		$9,441,788	
Provincial Sales Tax	4,240,300		3,997,385	
Federal Goods & Services Tax	3,652,706	17,890,679	3,446,927	16,886,100
NET SALES		40,019,470		37,796,505
COST OF GOODS SOLD		23,170,222		22,013,161
GROSS PROFIT		16,849,248		15,783,344
EXPENSES				
Depreciation	540,927		491,724	
Insurance and taxes	150,352		147,622	
Interest on long term debt	133,221		137,483	
Other operating expenses	357,902		307,338	
Repairs and maintenance	284,837		286,576	
Rent - Note 5	517,075		485,500	
Salaries and benefits - Note 6	4,902,891		4,640,628	
Store and office expense	196,258		190,611	
Travel	94,493		86,869	
Utilities	363,544	7,541,500	327,070	7,101,421
		9,307,748		8,681,923
OTHER INCOME		1,074,905		976,288
NET INCOME - Note 1(c)		$10,382,653		$ 9,658,211

(The accompanying notes are an integral part of these financial statements.)

PRINCE EDWARD ISLAND LIQUOR CONTROL COMMISSION

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2000

	2000	1999
Cash provided by (used for)		
OPERATING ACTIVITIES		
Net Income for the year	$10,382,653	$ 9,658,211
Amounts charged against income not requiring an outlay of cash:		
Depreciation and amortization	540,927	491,724
Gain on disposal of capital assets	(3,022)	(13,200)
(Increase) Decrease in accounts receivable	(95,183)	(3,484)
(Increase) Decrease in inventory	(124,714)	23,352
(Increase) Decrease in prepaid expenses	5,965	(4,637)
Increase (Decrease) in accounts payable	1,208,930	99,962
Increase (Decrease) in current portion of debentures	162,762	(12,832)
Net cash provided by operating activities	12,078,318	10,239,096
FINANCING ACTIVITIES		
Cash payments to Provincial Treasury	(10,235,859)	(9,688,024)
Loan from Province	2,026,145	-
Obligations for debenture repayment	(337,110)	(174,348)
Net cash used for financing activities	(8,546,824)	(9,862,372)
INVESTING ACTIVITIES		
Acquisition of capital assets	(2,032,319)	(320,781)
Proceeds on disposal of capital assets	27,200	13,200
Net cash used for investing activities	(2,005,119)	(307,581)
Increase in cash	1,526,375	69,143
Cash at beginning of year	(350,658)	(419,801)
Cash at end of year	$ 1,175,717	$ (350,658)

(The accompanying notes are an integral part of these financial statements.)

PRINCE EDWARD ISLAND LIQUOR CONTROL COMMISSION

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2000

1. Summary of significant accounting policies

(a) Capital Assets

Capital assets are stated at cost less accumulated depreciation and amortization. Depreciation of buildings, furniture and equipment and amortization of leasehold improvements are calculated on a straight line basis at the rates indicated in Note 2.

(b) Inventories

Inventories are valued at the lower of first-in, first-out cost and net realizable value.

(c) Net Income

All net income of the Commission accrues directly to the Province. Transfers of net income are made to the Operating Fund on a continuing basis as excess cash becomes available. Any funds received from operations which are used to finance net additions to capital assets are withheld by the Commission and treated as long term loans from the Province.

2. Capital Assets

		2000			1999
	Depreciation Rate	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Land	Nil	$ 108,487	$ -	$ 108,487	$ 123,187
Buildings	5 %	3,295,589	2,783,294	512,295	200,987
Equipment	10 & 20 %	1,006,996	817,162	189,834	107,427
Vehicles	30 %	102,441	46,258	56,183	86,915
Leasehold Improvements	10 %	2,592,552	688,713	1,903,839	605,507
Integrated Business Management System	20 %	1,750,284	1,477,249	273,035	452,436
		$8,856,349	$5,812,676	$3,043,673	$1,576,459

PRINCE EDWARD ISLAND LIQUOR CONTROL COMMISSION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2000

3. Debentures Payable - Province of Prince Edward Island

	Balance March 31, 2000	Less Current Portion	Long Term Liability
Integrated Business Management System Repayable in equal annual installments of $185,075 including interest @ 9.4% per annum, maturing November 1, 2004.	$ 712,465	$118,103	$ 594,362
Cornwall Repayable in equal annual installments of $35,184 including interest @ 6.75% per annum, maturing December 10, 2006.	191,282	22,273	169,009
Stratford Repayable in equal annual installments of $40,415 including interest @ 7.375% per annum, maturing February 10, 2007.	214,988	24,560	190,428
Borden - Carleton Repayable in equal annual installments of $37,442 including interest @ 5.74% per annum, maturing January 21, 2008.	234,916	23,957	210,959
Kensington Repayable in equal annual installments of $49,143 including interest @ 6.70% per annum, maturing November 8, 2009.	350,000	25,693	324,307
North Rustico Repayable in equal annual installments of $38,936 including interest @ 6.79% per annum, maturing March 24, 2010.	276,145	20,186	255,959
Charlottetown (Oak Tree) Repayable in equal annual installments of $197,398 including interest @6.79% per annum, maturing March 24, 2010.	1,400,000	102,338	1,297,662
	$3,379,796	$337,110	$3,042,686

The total principal repayment for the next five years is as follows:

2001	$ 337,110
2002	362,941
2003	390,812
2004	420,885
2005	453,340
Total	$1,965,088

4. Net Capital Assets Loan - Province of Prince Edward Island

Interest rate of loan is set annually by the Province. The interest rate for 1999-00 was 6.198%.

5. The Prince Edward Island Liquor Control Commission leases twelve retail outlets which have maturity dates between 2001 and 2016. Future minimum lease payments are as follows:

Fiscal Years	Amount
2001	$ 507,455
2002	529,676
2003	520,394
2004	505,853
2005	421,154
2006-2016	2,751,800
	$5,236,332

6. Pension Benefits

The employees of the Prince Edward Island Liquor Control Commission are entitled to pension benefits under the terms of their employment. The employer's share of the benefits plus any additional future actuarial liabilities are assumed by the Province of P.E.I. and are not reflected in the Commission's financial statements.